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SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-76262; File No. SR-CHX-2015-05)

October 26, 2015

Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Unify Procedures for the Handling of Resting Orders in a Security Subject to a Trading Halt, Pause or Suspension on the Exchange

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that, on October 19, 2015, the Chicago Stock Exchange, Inc. (“CHX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

CHX proposes to amend CHX Rules to unify procedures for the handling of resting orders in a security subject to a trading halt, pause or suspension on the Exchange. CHX has designated this proposed rule change as non-controversial pursuant to Section 19(b)(3)(A)<sup>3</sup> of the Act and Rule 19b-4(f)(6)<sup>4</sup> thereunder and has provided the Commission with the notice required by Rule 19b-4(f)(6)(iii).<sup>5</sup> The text of this proposed rule change is available on the Exchange’s Web site at ([www.chx.com](http://www.chx.com)) and in the Commission’s Public Reference Room.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

<sup>5</sup> 17 CFR 240.19b-4(f)(6)(iii).

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the CHX included statements concerning the purpose of and basis for the proposed rule changes and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The CHX has prepared summaries, set forth in sections A, B and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend CHX Rules to unify procedures for the handling of resting orders in a security subject to a trading halt, pause or suspension on the Exchange.<sup>6</sup> Specifically, the Exchange proposes to apply the current procedures for the handling of resting orders in a security subject to a Limit Up-Limit Down ("LULD") trading pause<sup>7</sup> to all trading halts on the Exchange ("proposed unification").

Currently, upon initiation of any trading halt, pause or suspension in a security on the Exchange, the Exchange will take the following actions:

- Stop all trading in the security;
- Cancel all resting orders marked Cancel On Halt, as defined under Article 1, Rule 2(b)(1)(B); and

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<sup>6</sup> The Exchange may initiate a trading halt, pause or suspension for various reasons, including, but not limited to, technical issues with the Matching System or in response to a regulatory halt initiated by the primary listing market.

<sup>7</sup> See CHX Article 20, Rule 2A(c).

- Reject all incoming orders; provided valid incoming Sub-second Non-displayed Auction Process Auction Only Orders (“SNAP AOOs”), as defined under Article 1, Rule 2(h)(3),<sup>8</sup> not marked Cancel On Halt received during a trading halt on the Exchange will be placed in the SNAP AOO Queue, pursuant to Article 18, Rule 1(c)(4),<sup>9</sup> and not cancelled.<sup>10</sup>

However, the Exchange handles resting orders in a security subject to a trading halt, pause or suspension on the Exchange differently depending on whether trading is stopped due to a LULD trading pause. In the case of a LULD trading pause, the Exchange will cancel all resting orders in the subject security, except that SNAP AOOs not marked Cancel On Halt will be placed or remain in the SNAP AOO Queue and not cancelled.<sup>11</sup> However, for all other trading halts, pauses or suspensions, the Exchange will maintain the resting orders in the subject security, except that orders marked Cancel On Halt will be cancelled.<sup>12</sup>

Upon the initiation of any trading halt, pause or suspension in a security on the Exchange, the Exchange now proposes to cancel all resting orders in the security, while maintaining the current exception for SNAP AOOs not marked Cancel On Halt. To this end, the Exchange proposes various amendments to CHX Rules, as described below.

Initially, as a global amendment, the Exchange proposes to replace certain references throughout CHX Rules to trading halts, suspensions and/or pauses, or some combination thereof,

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<sup>8</sup> CHX Article 1, Rule 2(h)(3) is effective, but not yet operative. See infra note 10.

<sup>9</sup> CHX Article 20, Rule 8(b)(2)(A) is effective, but not yet operative. See infra note 10.

<sup>10</sup> The proposed rule change to adopt SNAP was recently approved, but is not yet operative. See Securities Exchange Act Release No. 76087 (October 6, 2015), 80 FR 61540 (October 13, 2015).

<sup>11</sup> See CHX Article 20, Rule 2A(c); see also CHX Article 18, Rule 1(c) (which is effective, but not yet operative); see also supra note 10.

<sup>12</sup> See paragraph .02 of CHX Article 20, Rule 1.

with the more uniform “trading halts, suspensions or pauses.” The Exchange believes that this consistency will promote clarity of CHX Rules. Specifically, the Exchange proposes to make such amendments to Article 1, Rule 2(b)(1)(B); Article 18, Rule 1(b)(3); Article 20, Rule 1(b) and (d);<sup>13</sup> and paragraph .02 of Article 20, Rule 1.

Amended paragraph .02 of Article 20, Rule 1

Current paragraph .02 of Article 20, Rule 1 provides as follows:

If trading in one or more issues is suspended or halted, which requires the Exchange to suspend trading in the issue, other than a LULD Trading Pause, all orders in those issues shall remain in the Matching System unless they are cancelled by the Participant that submitted the order. The Matching System shall not accept any orders, or any changes to orders (other than cancellations), in those issues during a trading suspension or halt, subject to Article 18, Rule 1(c). Immediately after the trading halt or suspension has ended, the Matching System shall begin accepting orders and shall match them as provided in Rule 8(d), below.

The Exchange now proposes to amend paragraph .02 to contemplate the proposed unification. The Exchange also proposes to clarify that “resting” orders shall be cancelled and that the amended rule applies to trading halts, pauses and suspensions “on the Exchange,” which obviates current language providing that the rule applies to trading halts that require the Exchange to suspend trading in the issue. As such, amended paragraph .02 provides as follows:

If trading in one or more issues is halted, paused or suspended on the Exchange, all resting orders in those issues shall be cancelled from the Matching System, subject to Article 18, Rule 1(c). The Matching System shall not accept any orders in those issues during a trading halt, pause or suspension, subject to Article 18, Rule 1(c). Immediately after the trading halt, pause or suspension has ended, the Matching System shall begin accepting orders and shall match them as provided in Rule 8(d), below

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<sup>13</sup> Incidentally, the Exchange proposes to amend CHX Article 20, Rule 1(b) to replace reference to “Rules 1(d) and (2)” with “CHX Rules” generally, as trading halts, pauses or suspensions may be effected on the Exchange pursuant to various CHX Rules, including, but not limited to, Article 20, Rules 1(d) and (2). Similarly, the Exchange proposes to amend CHX Article 20, Rule 1(d) to provide that trading may also be halted, paused or suspended on the Exchange, and resumed thereafter, pursuant to other CHX Rules. Specifically, trading halts, pauses or suspensions may be declared and lifted pursuant to the following CHX Rules: Article 20, Rules 1(d), 2, 2A and 10; and Article 22, Rule 6.

Amended Article 1, Rule 2(b)(1)(B) (Cancel On Halt)

Current Article 1, Rule 2(b)(1)(B) defines “Cancel On Halt” as follows:

A limit order modifier that requires an order to be automatically cancelled by the Matching System if a trading halt or suspension is declared in that security.

The Exchange now proposes to amend the definition to clarify that orders marked Cancel On Halt will be cancelled if a trading halt, pause or suspension is declared in the security “on the Exchange,” as certain operational halts declared by away markets may not require the Exchange to suspend trading in the security. Moreover, since the Exchange proposes to cancel all resting orders, except for SNAP AOOs, during a trading halt, pause or suspension, the Exchange proposes to adopt additional language that provides that all limit orders, except for SNAP AOOs, as defined under Article 1, Rule 2(h)(3), shall be deemed to have been received Cancel On Halt, which cannot be overridden by an order sender. The Exchange submits that this is appropriate because the current rules require SNAP AOOs to be placed in, or remain on, the SNAP AOO Queue during a trading halt, pause or suspension and, thus, such queued SNAP AOOs would already be inactive and removed from the SNAP CHX book, without the need for cancellations.<sup>14</sup> As such, amended Rule 2(b)(1)(B) provides as follows:

“Cancel On Halt”: a limit order modifier that requires an order to be automatically cancelled by the Matching System if a trading halt, pause or suspension is declared in that security by the Exchange.

All limit orders, except for SNAP AOOs, as defined under paragraph (h)(3), shall be deemed to have been received Cancel On Halt, which cannot be overridden by an order sender.

Amended Article 18, Rule 1(c) (Halt or pause during the SNAP Cycle)

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<sup>14</sup> See CHX Article 18, Rule 1(c)(2) (which is effective, but not yet operative); see also supra note 10.

Current Article 18, Rule 1(c)(1) details the actions that would be taken if a trading halt is initiated on the Exchange during a SNAP Cycle.<sup>15</sup> With respect to the handling of orders resting on the SNAP CHX book, current Rule 1(c)(1) substantively tracks current paragraphs .02 of Article 20, Rule 1 for trading halts, pauses and suspensions that are not LULD trading pauses and Article 20, Rule 2A(c) for LULD trading pauses.<sup>16</sup> The Exchange now proposes to amend Rule 1(c)(1) to eliminate that distinction. As such, amended Rule 1(c)(1) provides as follows:

SNAP CHX book

(A) During stages one or two. If the market snapshot taken pursuant to paragraph (b)(2)(E) or (F) indicates that a material halt, pause or suspension is in effect, the SNAP Cycle shall be aborted and not proceed to stage three or stage five, as applicable. The Exchange shall then cancel all orders resting on the SNAP CHX book, subject to paragraph (c)(2) below.

(B) During stages three or four. If the market snapshot taken pursuant to paragraph (b)(3)(B) or (b)(4)(B) indicates that a material halt, pause or suspension is in effect for the subject security, the SNAP Cycle shall be aborted and not proceed to stage five. The Exchange shall then cancel the unexecuted remainders of all orders resting on the SNAP CHX book, subject to paragraph (c)(2) below.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act<sup>17</sup> in that it would further enable the Exchange to be so organized as to have the capacity to be able to carry out the purposes of the Act and to comply, and to enforce compliance by its Participants and persons associated with its Participants, with the provisions of the Act, the rules and regulations thereunder, and the rules of the Exchange, in furtherance of the objectives of

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<sup>15</sup> See CHX Article 18, Rule 1(b) (which is effective, but not yet operative); see also supra note 10.

<sup>16</sup> See supra note 10.

<sup>17</sup> 15 U.S.C. 78f(b).

Section 6(b)(1),<sup>18</sup> and it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transaction in securities, to remove impediments to, and perfect the mechanisms of, a free and open market and, in general, by protecting investors and the public interest, in furtherance of the objectives of Section 6(b)(5).<sup>19</sup>

Specifically, the Exchange believes that the proposed unification of the Exchange's procedures regarding resting orders in a security subject to a trading halt, pause or suspension on the Exchange will simplify the Exchange's operational procedures, which will remove impediments to, and perfect the mechanisms of, a free and open market, in furtherance of the objectives of Section 6(b)(5). Moreover, the Exchange believes that the proposed unification and other clarifying amendments, will simplify CHX Rules, which will further enable the Exchange to be so organized as to have the capacity to be able to carry out the purposes of the Act and to comply, and to enforce compliance by its Participants and persons associated with its Participants, with the provisions of the Act, the rules and regulations thereunder, and the rules of the Exchange, in furtherance of the objectives of Section 6(b)(1).

**B. Self-Regulatory Organization's Statement on Burden on Competition**

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, the Exchange believes that the proposed rule change does not implicate any competitive issues as it is intended to simplify and clarify CHX operational procedures with respect to trading halts, pauses and suspensions.

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<sup>18</sup> 15 U.S.C. 78f(b)(1).

<sup>19</sup> 15 U.S.C. 78f(b)(5).

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>20</sup> and Rule 19b-4(f)(6) thereunder.<sup>21</sup>

The Exchange has requested that the Commission waive the requirement that the rule change, by its terms, not become operative for 30 days after the date of the filing as set forth in Rule 19b-4(f)(6)(iii),<sup>22</sup> so that the proposal may become immediately operative upon filing. The Exchange anticipates its recently approved SNAP functionality will become operative during the thirty day pre-operative waiting period for this filing.<sup>23</sup> The Commission believes that waiver of the operative delay is consistent with the protection of investors and the public interest because it eliminates a source of potential for confusion regarding the Exchange's rules governing SNAP-

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<sup>20</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>21</sup> 17 CFR 240.19b-4(f)(6). As required under Rule 19b-4(f)(6)(iii), CHX provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

<sup>22</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>23</sup> See supra note 10.



related trading halt, pause and suspension procedures. Therefore, the Commission hereby waives the thirty-day operative delay and designates the proposal effective upon filing.<sup>24</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CHX-2015-05 on the subject line.

##### Paper comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-CHX-2015-05. This file number should be included on the subject line if e-mail is used. To help the Commission process and review

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<sup>24</sup> For purposes of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549-1090. Copies of the filing will also be available for inspection and copying at the Exchange's principal office. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All

submissions should refer to File Number SR-CHX-2015-05 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>25</sup>

Robert W. Errett  
Deputy Secretary

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<sup>25</sup> 17 CFR 200.30-3(a)(12).

